

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

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Committee on Trade and Development

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PUBLIC HEARINGS ON THE UNITED STATES GSP SCHEME

The following communication dated 18 February 1983 has been received from the Office of the United States Trade Representative.

I would appreciate your circulating informally to members of the Committee on Trade and Development the attached reproduction of a US Federal Register notice. This notice announces the scheduling of hearings on renewal of the US GSP program. Although it has been sent to most capitals local delegations may also find it of interest.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

The Trade Policy Staff Committee (TPSC) will conduct public hearings on the renewal of the U.S. Generalized System of Preferences (GSP). Interested parties are invited to submit testimony at one of the hearing locations or written comments in connection with a proposal for a renewed GSP program appropriately revised.

1. Deadline for receipt of requests to participate in the public hearings

The Chairman of the Trade Policy Staff Committee invites public comment on the renewal of the U.S. generalized system of preferences (GSP) prior to its scheduled termination on January 3, 1985. Such comment will be considered by the executive branch in formulating a proposal to assist Congress with preparation of legislation for renewal of the GSP program. Parties are invited to present their views on this issue through public hearings and/or written comment. Hearings will be held in Washington, D.C., New York City and San Francisco during the month of April 1983.

Parties wishing to appear at the hearings must notify the executive director of the U.S. Generalized System of Preferences (GSP), in writing not later than March 21, 1983, of their intention to appear at the hearing giving name, address, telephone number, hearing location, and a brief summary of their presentation. Remarks should be limited to no more than 15 minutes to allow for possible questions from the chairman and the interagency panel. Participants should provide twenty typed copies of their presentation at the time of the hearings. Participants will be notified not later than April 1, 1983, about the time of their appearance at the hearing.

2. Communications

All communications with respect to this notice should be addressed to the Executive Director, Generalized System of Preferences, Office of the United States Trade Representative, Room 316, 600 17th Street, N.W., Washington, D.C. 20506. Questions may be directed to any member of the GSP Information Center at (202) 95-6971.

Parties not wishing to participate at the hearings may submit written comments in twenty copies, in English, by April 30.

3. Background

The GSP is authorized under Title V of the Trade Act of 1974 as amended (19 U.S.C. 2155 - 2462). The GSP is a program of non-reciprocal tariff preferences granted by the United States to developing countries to assist their economic development by encouraging greater diversification and expansion of their production and exports. The United States, along with other developed countries, agreed to share responsibility in assisting developing countries in achieving economic growth through trade by implementing a system of temporary tariff preferences. Nineteen other developed countries maintain similar preferential programs. At present, the U.S. program grants duty-free treatment on approximately 3,000 products imported from 140 developing countries and territories. The value of U.S. imports receiving GSP duty-free treatment has increased from \$3.0 billion in 1976, the program's first year in operation, to \$8.4 billion in 1981. GSP imports currently account for 3 per cent of total U.S. imports. Developing countries, which have become increasingly important to U.S. economic interests, currently account for nearly 40 per cent of total U.S. exports.

In March of each year modifications are implemented with respect to GSP product coverage and eligibility. Some of these modifications are required by statute. The Trade Act of 1974, as amended, specifies "competitive need" limits which provide for the automatic exclusion of a beneficiary country from GSP eligibility on a product whenever imports from that country exceed 50 per cent of total U.S. imports or a certain annually adjusted dollar value during the preceding calendar year (\$50.9 million in 1981). Countries which subsequently fall below these limits may be redesignated for GSP eligibility on the product of concern at the discretion of the President. The Trade Policy Staff Committee conducts an annual GSP product review in which interested parties such as domestic producers, growers, labor unions, importers and foreign governments submit petitions requesting modifications in GSP eligibility. The interagency committee also conducts a case-by-case review of other GSP matters for which a presidential decision is required.

4. Comments

Comments are specifically invited on the role of graduation in the GSP program and, in particular, views on the mechanics of a product-by-product graduation policy in a renewed program. A graduation policy was implemented in 1981 to address the relatively uneven distribution of benefits among beneficiary countries and the growing competitiveness of certain beneficiary countries. Under this policy, graduation of individual countries on specific products can occur in one of three contexts: By request in the annual

product review process; when a country eligible to be redesignated on an item is not redesignated; and, when adding a product to the GSP, a country is excluded from eligibility on the item. Factors considered in graduation include the overall level of economic development in the beneficiary developing country; the country's competitiveness in the product of concern; and the overall economic interest of the United States, including the impact of the graduation action on domestic producers and workers.

Suggestions from parties with respect to ways in which the program can better stimulate the growth of the less advanced beneficiary countries, including special considerations for the least developed countries, will also be welcome. Since many countries do not possess the capacity and economic infrastructure necessary to produce and export many of the products eligible for duty-free treatment under the GSP, graduation of the more advanced beneficiary countries on various products has not always led to significantly improved benefits for less advanced beneficiaries.

Comments are also invited on any other matter pertaining to the U.S. GSP program. Some of the major elements likely to be examined in the renewal process are the provisions of Title V and administrative procedures relating to country and product coverage within the GSP, competitive need and de minimis limits, GSP safeguard measures, rules of origin, and the possible conditioning of preferential treatment for imports from advanced beneficiary countries to considerations regarding their trade policies affecting U.S. exports.

5. Schedule of Hearings

Washington, D.C. Federal Home Loan Bank Board Amphitheatre 1700 G Street Northwest Washington, D.C.	10:00 AM	April 5-6
New York City 26 Federal Plaza Conference Room 305 C New York, New York	10:00 AM	April 11-12
San Francisco United States District Court Ceremonial Court Room 440 Golden Gate Avenue San Francisco, California	10:00 AM	April 14-15

6. Additional Information

Further information is available from the GSP Information Center. Interested parties also may wish to refer to the President's report to the Congress on the first five years' operation of the GSP (H. Rep. No. WMCP 96-58 96 Cong., 2nd Sess. (April 17, 1980)).